



ASX/media release

4 July 2012

Media Coverage Concerning Recommended Retail Prices for the Brumby's Bakery Network

Retail Food Group Limited (RFG or the Company) advises that various media outlets today published articles reporting upon comments made by the Brumby's Bakery Brand System Managing Director concerning then impending changes to recommended retail prices ('RRP') for the Brumby's network.

RFG maintains that all outlets operating under its umbrella retail goods and services which are priced fairly to reflect the costs of doing business whilst ensuring acceptable margins for franchise owners.

Consistent with accepted and prudent business practices, RRP amongst each of RFG's franchise systems is subject to regular review. In the case of the Brumby's network, RRP will be adjusted on 16 July 2012 (the first such adjustment in 12 months notwithstanding significant increases in costs of doing business over this period).

RFG CEO Tony Alford said, "the reported comments, made in an internal newsletter recently disseminated amongst Brumby's franchisees prior to RRP adjustment, were not sanctioned and are of significant concern to the Board".

"Following thorough investigation of the matter, we are satisfied that the comments were not made in an effort to encourage our franchisee community to link RRP adjustment to the carbon tax, but rather, were innocent albeit foolish and ill-considered remarks when placed in the context of the internal franchisee communication. To be sure, the principal purpose of the communication was to promote franchisee evaluation of in-store pricing practices due to cost and margin pressures".

"We are also satisfied that the comments are isolated to the subject newsletter and certainly not representative of RFG policies or practices", Mr Alford said.

"As a consequence of the introduction of the carbon tax, there will be further margin and cost pressures on our franchisee community, however, it was inappropriate to link this matter with the imminent RRP increase".

"RFG takes very seriously its obligations under Australian consumer law. Further to that we are today communicating with our franchisee community regarding the limited relevance of the carbon tax to recently adjusted RRP's and otherwise to provide appropriate counsel as to how RRP changes should be addressed with consumers. We are also liaising with the ACCC in connection with the matter".

"Our Brumby's franchisees pride themselves on delivering an exceptional customer experience which includes a fair and appropriate retail price point for their products. We therefore express our genuine regret over this isolated incident and unreservedly apologise for this unacceptable error of judgment", Mr Alford said.

ENDS

For further information, interviews or images contact:

Tracey Catterall, Retail Food Group, (07) 5509 2340

For personal use only